Manufacturer Design Registration Study

Executive Summary

Key Observations and Comparisons

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Abbreviations used:
D-Reg = Design Registration
M-Rep = Manufacturer Representative
OPP = Opportunity
KPI = Key Performance Indicator
POS = Point of Sale
POP = Point of Purchase
ROI = Return on Investment

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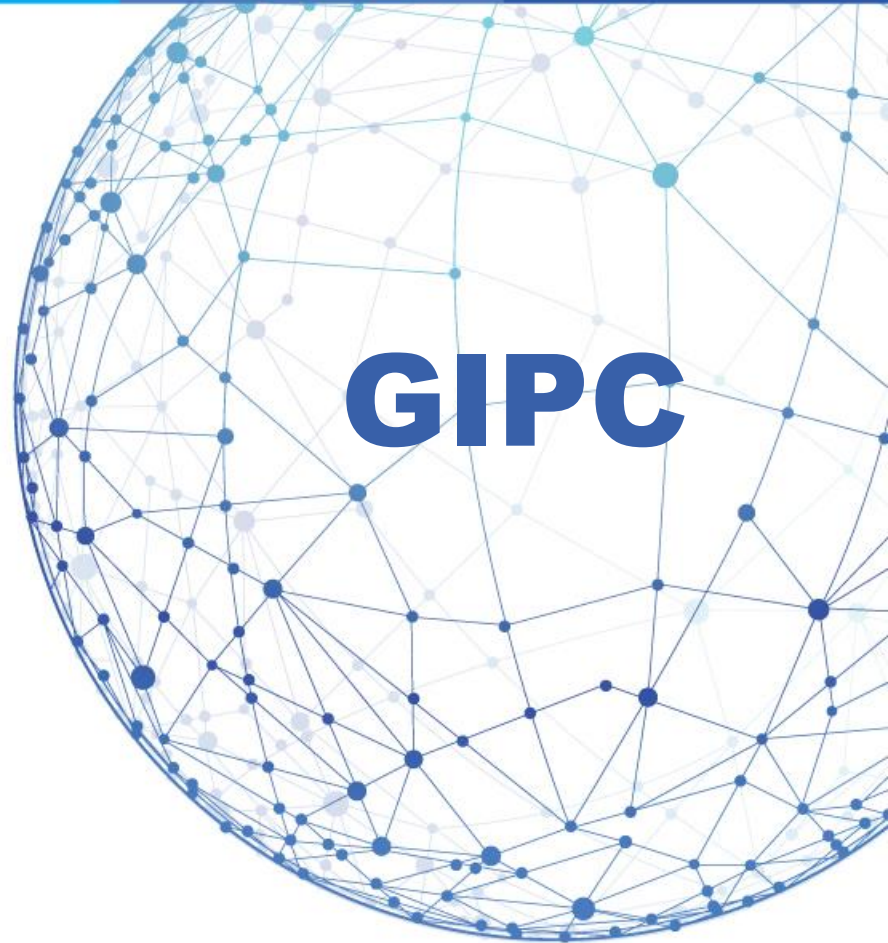
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Design Registration Study Acknowledgements

Sponsor by: Manufacturer's Council

Supported by: ECIA, ERA, GEDA, Distributor's Council, Manufacturer's Representative Council, Executive Steering Committee

Legal Guidance by: ECIA COO and General Counsel – Robin Gray

Work Group: 16 Companies

Avnet
AVX
Crowley Associates
Future Electronics
Kruvand Associates, Inc.
Maxim Integrated
Mel Foster Company
Molex
Murata Manufacturing Co.
NXP Semiconductors
O'Donnell – North
ON Semiconductor
RFMW
⭐ TE Connectivity
⭐ TTI, Inc.
Vishay Intertechnology

⭐ *Project Co-Leaders*

44 Companies who participated in the survey:

Avnet	Allegro Microsystems
AVX	Avnet – EBV
Future Electronics	C&K
Kruvand Associates, Inc.	Cain Tech
Maxim Integrated	CK Associates
Mel Foster Company	Crowley Associates
Molex	CTS Corporation
Murata Manufacturing Co.	Eaton Electronics
NXP Semiconductors	GMA Associates
ON Semiconductor	IDT (Renesas)
RFMW	Littelfuse
TE Connectivity	Luscombe Engr
TTI, Inc.	Macronix International
Vishay Intertechnology	Micron Technology
	Millenium Alliance
	Norris
	O'Donnell
	pSemi
	Panasonic
	Qualcomm
	Qorvo
	RF Associates
	Renesas Electronics
	Samtec, Inc.
	Schaffner
	Sensirion
	ST Microelectronics
	Toshiba America
	WPG - America

Ideal Process Flow for a Design Registration

Definition:

Manufacturer, Manufacturer Representative and Distributor: Design Registration is a program to encourage, reward, and support engineering in product design and demand creation activity from Authorized Distributors and guarantee revenue capture wherever the order is fulfilled. It also delivers share of mind for manufacturers with their channel partners while assuring investments made by the Distributor both domestic and global.

Design Registration Opportunity Identified

→ ECIA/NEDA Form →

Submit to Manufacturer and/or Representative

Review Process takes place to determine if all the manufacturer requirements have been satisfied

Manufacturer Approves Design Registration

If disapproved process stops here **STOP**

← Manufacturer Tracking Number Issued ←

Registration Pricing, Forecast Established

Ongoing collaboration and management review with performance metrics

Renewal Process and/or Global Transfer

Registration Review / Seamless Transition Process →

All Parties Achieve…

- Profitable Revenue Growth
  - Brand Recognition
  - Market Share

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- ## Importance and Definition

Manufacturer

- D-Reg program is **STRONG-CRITICAL** to the Manufacturer.
- Manufacturer and Distributor closely aligned on program benefits: **1.** Pricing safeguards **2.** Enhanced Margins **3.** Discounted cost on qualified OPP **4.** Win production orders at acceptable margins **5.** Rewards performance.
- Support is most important to field sales.
- Aligned with industry definition.

Manufacturer Rep

- D-Reg program is **AVERAGE-STRONG** to the M-Rep.
- If a D-Reg is truly driving behavior and resulting in success it would be the same importance to everyone. M-Reps are compensated based on orders, not just registrations.
- M-rep makes same commission percentage regardless of margin.
- Some Manufacturers pay on POS and others pay on POP.
- Problem for M-reps are increasing distributor drive-by registrations.
- Aligned with industry definition.

Distributor

- D-Reg program is **CRITICAL-STRONG** to the Distributor.
- Manufacturer and Distributor closely aligned on program benefits: **1.** Pricing safeguards **2.** Enhanced Margins **3.** Discounted cost on qualified OPP **4.** Win production orders at acceptable margins **5.** Rewards performance.
- Need better partnerships between M-Reps and Distributors.
- M-Rep incurs more cost for design registration with no additional margin.
- Aligned with industry definition but add "guarantee revenue capture wherever the business is fulfilled" and include global.

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- ## Process and Management

Manufacturer

- **IMPORTANT** issue is what products should be **included and excluded** from D-Reg programs. Can vary by technology and manufacturer.
- What is important to the Manufacturer is not always aligned with Distributors.
- Process flow for D-Reg approvals between Manufacturers, M-Reps and Distributors has many inconsistencies.
- Concerns that Distributors don't care as much about key revenue drivers and technology products as Manufacturers.
- Lack of uniformity and normalization in the D-Reg process.

Manufacturer Rep

- **IMPORTANT** issue is what products should be **included and excluded** from D-Reg programs. Can vary by technology and manufacturer.
- We agree on what's expected from Distributors for D-Reg approval and when followed, the process works. When the expected information is not provided, the process breaks down.
- Process flow for D-Reg approvals between Manufacturers, M-Reps and Distributors has many inconsistencies.

Distributor

- **IMPORTANT** issue is what products should be **included and excluded** from D-Reg programs. Can vary by technology and manufacturer.
- Manufacturers desire to align business units with markets; it's hard for a Distributor to drive markets that way.
- Structure at the Manufacturer and whether they have a M-Rep drives differences.
- Distributors need to adjust to **MANY** different processes which creates challenges and complexity.
- Process flow for D-Reg approvals between Manufacturers, M-Reps and Distributors has many inconsistencies.

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- ## Issues and Concerns

Manufacturer

- Tracking through POS on the end-to-end D-Reg is **most important**.
- Distributor can look at a D-Reg approval as the end of the process. While Manufacturers and M-Reps look at an approved D-Reg as the beginning of the process.
- Distributor involvement…did they actually do the design work? Trust issue with Manufacturer and M-Rep.
- Manufacturer and Distributor seem aligned on the **need** for ROI to justify time, effort and investment.

Manufacturer Rep

- Tracking through POS on the end-to-end D-Reg is **most important**.
- Distributors can look at a D-Reg approval as the end of the process. While Manufacturers and M-Reps look at an approved D-Reg as the beginning of the process.
- Compensation drives behavior. If the Distributor compensates sales on # of D-Reg's submitted or signed off…this drives "Drive By" D-Reg's.
- Distributor involvement…Did they actually do the design work? Trust issue with Manufacturer and M-Rep.

Distributor

- Tracking through POS on the end-to-end D-Reg is **most important**.
- Distributors more concerned with systemic errors during business transfers.
- Manufacturers and M-Reps see the need for accurate information on customers/markets and **regular updates.** This is a challenge for Distributors because they support so many Manufacturers.
- Distributors want more support against Manufacturer taking business direct. See more issues with transfers out of territory.
- Manufacturer and Distributor seem aligned on the **need** for ROI to justify time, effort and investment.
- Lack of normalization with Manufacturer D-Reg programs creates significant challenges for Distributors:
    - Global Programs
    - Different Rules
    - Splitting Designs, etc..

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- ## Forms and Communications

Manufacturer

- ***Communication & *Tools** – area of opportunity to research technology for ways to improve and modernize communication between channel partners.
- NEDA/ECIA form has been widely accepted in the industry and used by many to design their own forms.
- Area of opportunity to standardize form and content further within the industry
- All agree that face-to-face, live-local communication key driver to program success…

Manufacturer Rep

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Distributor

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- ## Policies

Manufacturer

- There are **21** different concerns identified where policies may break down…This is a **red-flag** area where a deeper dive is warranted. (see slide #35 of Current State Assessment)
- Manufacturers see a disconnect with Distributors on pricing and/or margin guarantees for a specific period and terms and conditions.

Manufacturer Rep

- There are **21** different concerns identified where policies may break down…This is a **red-flag** area where a deeper dive is warranted.

Distributor

- There are **21** different concerns identified where policies may break down…This is a **red-flag** area where a deeper dive is warranted.
- Policies can break down when business moves between regions and being able to link the D-Reg.

Some examples from slide #35 of Current State Assessment:
- Accuracy and quality of data to manage and maintain registrations
- Challenges when business is shared between U.S., Europe and Asia
- Distributors doing drive by registrations
- Diverse forms and processes create difficulty for sales personnel to remember each manufacturers policies
- Database management – registration on POS matches registration on debit claim, different variations of part number uses

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- ## Metrics

Manufacturer

- Registration count by each Distributor and their revenue generated from the registration is most important along with various registration trends and comparisons.
- Recognized paths to program success: **1.** program rewards to support the Distributors work **2.** revenue growth linked to efforts **3.** adherence by all to program requirements **4.** customer expansion linked to DR efforts.

Manufacturer Rep

- New registrations and win rate by both #'s and $'s most important to M-reps.
- Recognized paths to program success: **1.** program rewards to support the Distributors work **2.** revenue growth linked to efforts **3.** adherence by all to program requirements **4.** customer expansion linked to DR efforts.
- Conversion rate important to M-Reps and Distributors, but standard metric definition is needed.

Distributor

- Distributor's have multiple **(10+)** important metrics used both internal and external with Manufacturers and M-Reps.
- Standardization with Manufacturer metrics and definitions would simplify the process for distributors.
- Recognized paths to program success: **1.** program rewards to support the Distributors work **2.** revenue growth linked to efforts **3.** maintenance of healthy resales **4.** adherence by all to program requirements **5.** Sales achieving goals **6.** customer expansion linked to D-Reg efforts.
- Conversion rate important to M-Reps and Distributors, but standard metric definition is needed.

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- ## Accountability

Manufacturer

- Regional and global business reviews are key to the Manufacturer for tracking.
- Primarily Manufacturers do not have consistent program rules across geographies.

Manufacturer Rep

- As a M-Rep, we can lose program benefits if it is not in the local POS and do not always get compensated.
- We receive the benefit if it's properly identified up front. Often our NBO split commission request gives us the desired credit.

Distributor

- Due to both internal importance and complexity when dealing with 100's of Manufacturer programs…"tracking" performance internally and externally is priority #1.
- Multiple challenges with D-Reg programs between NA, EMEA, ASIA. (see slide #45 of Current State Assessment)
- **Dedicated global business migration team** and/or regional teams are essential and a "best practice" today.
- **One global system** to share information across teams…tools and internal communication.

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- ## Assessment of Effectiveness and Challenges

Manufacturer

- **Factors to determine "<u>effective</u>" program: 1.** Recognizes design efforts and supports margin **2.** When trust is established and maintained **3.** Solid local relationships with MFR, M-Rep and Distributor. **4.** Facilitates communication between seeder and harvester early in the design cycle **5.** Allows manufacturer to manage their pipeline.
- **Factors to determine a program "<u>not effective</u>": 1.** Poor conversion rates and low pricing/margins **2. Manufacturer concerns spread fairly-equal over <u>22</u> different comments (see slide #53 in Current State Assessment).**
- **Challenges: 1.** Organizational bandwidth is limited and D-Reg program is not high enough priority to assign more resources. **2.** Daily challenges with registration data quality and integrity. **3.** M-Reps worried about their long-term existence/legitimacy. **4.** Establishing and maintaining KPIs that support, promote, and drive the D-Reg program. **5.** Lack of automated reporting for ease of review and timely data.

Manufacturer Rep

- IP&E Manufacturers, in general, have D-Reg programs as a defense mechanism to be competitive and don't support Distributors as much as semiconductor Manufacturers.
- **Factors to determine "<u>effective</u>" program: 1.** Recognizes design efforts and supports margin **2.** Trust is established and maintained **3.** Solid local relationships with Manufacturer, M-Rep and Distributor. **4.** Facilitates communication between seeder and harvester early in the design cycle.
- **Factors to determine a program "<u>not effective</u>": 1.** Multiple D-Reg requests **2.** Out of region issues **3.** Trust/relationship issues.
- **Challenges: 1.** Considerable inconsistencies in registration program implementations. **2.** Too many **<u>make-work</u>** registration requests (drive-by's, phantom OPP, etc..) **3. GETTING FEEDBACK FROM THE CHANNEL** on D-Reg's is the most difficult thing we face. **4.** Getting the D-Reg Channel partner to hold inventory. **5.** Can't get good feedback on OPP once it has been approved; until renewal comes up; then we get a D-Reg extension request.

Distributor

- Perception is IP&E Manufacturers not offering support to the Distributor like semiconductor Manufacturers.
- **Factors to determine "<u>effective</u>" program: 1.** Recognizes design efforts and supports margin **2.** Allows global business transfer while safeguarding Distributor **3.** Ease of process; submission, approval, tracked through ship & debit, demonstrated infrastructure, documented process.
- **Factors to determine a program "<u>not effective</u>": 1.** Poor conversion rates and low pricing/margins **2.** No global program **3.** Out of region issues.
- **Challenges: 1.** Costs involved to maintain and administer 100's of different D-Reg programs. **2.** Not all parties understanding a supplier's registration program rules and expectations. **3.** Movement of programs among EMS providers and locations. **4.** Convincing certain supplier's regional RSMs to recognize design efforts elsewhere.

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Phase 1 Findings:

- Industry opportunities in **all 8 categories of this study** for modernization and best practice development in Phase 2 – Future State

- Lack of normalization across industry design registration programs *(100's of Manufacturers with different D-Reg programs)* **drives complexity** and **operating cost** for Manufacturer, Manufacturer Representatives and Distributors.

- What products should be **included and excluded** from design registration is an area that guides behavior which can be positive or negative.

- Modernization and streamlining the global design registration process could yield **profit margin benefits** for Manufacturers, Manufacturer Representatives and Distributors.

- **Dedicated** global business migration teams with **"one" global system** is a current best practice.

- Addressing the above items will be important to **bridging industry trust gaps**.

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Design Registration Roadmap

2020

Q1 — **Introduction**
Manufacturing Council Discussions
Council Task Team
Scoping Document

Q2 — **Structure**
ECIA, GEDA, ERA
Executive Steering Committee
SME Work Group & Launch

Q3 — **Framework**
In/Out of Scope – Current State
Survey Questions
Part-1 Survey

Q4 — **Phase 1 End**
Part-2 Survey
Deliverables:
    Master Index – Survey Results
    Current State Assessment
    Executive Summary

2021

Q1 — **Phase 2 Start**
Deliverable Review, Publication
Adjustments to SME Work Group
Desired – Future State Document

Q2 — **Research**
Possible Solutions with Trending Technologies

Q3 — **Research Cont'd**
Possible Solutions with Trending Technologies

Q4 — **Phase 2 End**
Deliverable:
    Solutions Document
    Identify and demonstrate Desired – Future State options for consideration.

2022

Q1 — **Phase 3**
Implementation

Q2

Q3

Q4

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